



April 17, 2006

TO: Citizens' Oversight Committee

FROM: Dianne Steinhauser, Executive Director

RE: Recommendation to TAM Regarding FY 2005/06 Auditor and Audit Scope of Work (Action) - *Attachment* – Agenda Item 8

Dear Committee Members:

Executive Summary

The selection of the auditor has also been identified as a responsibility of the Citizens' Oversight Committee.

Recommendation

Staff recommends that the Oversight Committee determine the FY 2005/06 auditor selection process and approve a Scope of Services for the audit consistent with the scope of the FY 2004/05 audit.

TAM is required by its Expenditure Plan and by PUC Code 180105(c) to have an annual financial audit conducted. The Citizens' Oversight Committee is tasked with reporting to the public on how TAM is spending sales tax funds and, per the Expenditure Plan, has access to the audit information and the auditor. As an adjunct to this access, and as a means of ensuring TAM's fiscal accountability and transparency, the selection of the auditor has also been identified as a responsibility of the Citizens' Oversight Committee.

Auditor Selection Process

The audit timeline generally begins at the end of the fiscal year (June 30th for TAM). For the Fiscal Year 2004/05 audit, an RFP process was undertaken. A copy of the RFP is attached.

The Oversight Committee formed a Review Subcommittee (Don Wilhelm, Barbara George, and Ray Hirsch), and they reported their recommendation of R.J. Ricciardi as TAM's auditor for the 2004/2005 fiscal year to the Oversight Committee. The Committee agreed with the recommendation from the Review Subcommittee and forwarded a recommendation to TAM that R.J. Ricciardi be retained as TAM's auditor. TAM approved a contract with R.J. Ricciardi as recommended. The contract was established for a one-year period, with the option to extend the contract for each of the two subsequent fiscal years.

The Oversight Committee has several options on the process to use for the Fiscal Year 2005/06 audit:

- Recommend extending the existing contract with R. J. Ricciardi for an additional year. This would assume no change to the work scope.
- If the Committee wishes to change the scope, and recognizing there was a detailed selection process for FY 2004/05, direct staff to request a proposal from only R.J. Ricciardi.
- Request that proposals be solicited from multiple firms, and establish a selection process entailing review and ranking of the written proposals, and interviews of top candidates.

Scope of Work

As a Special District, TAM is required to have a financial audit conducted by a qualified firm, pursuant to the *California Code of Regulations* Title 2, Division 2, Chapter 2, Subchapter 5. Because the financial audit is largely constrained by legal requirements, there is little flexibility in tailoring the scope of services. The attached Scope within the FY 2004/05 Request for Proposals reflects the requirements of the above-referenced *California Code of Regulations*, as well as those defined in the publication, *Government Accounting Standards*, issued by the U.S. General Accounting Office.

As part of the Oversight Committee's review of the 2004/05 audit, if additional Scope of Work items are recommended to be addressed, they can be discussed with staff.

Recommendation

Staff recommends that the Oversight Committee determine the FY 2005/06 auditor selection process and approve a Scope of Services for the audit consistent with the scope of the FY 2004/05 audit.

Attachment: Scope of Services for FY 2004/05 Audit.

Request for Proposal

For

AUDITING SERVICES

For the

TRANSPORTATION AUTHORITY OF MARIN

c/o Marin County Public Works Department
Marin County Civic Center
3501 Civic Center Drive
San Rafael, CA 94913

Issued August 15, 2005

Responses due:

3:00 p.m., Thursday, September 1, 2005

TRANSPORTATION AUTHORITY OF MARIN REQUEST FOR PROPOSALS

AUDITING SERVICES

Introduction

The Citizens' Oversight Committee (Oversight Committee) of the Transportation Authority of Marin (TAM) requests proposals from qualified firms of certified public accountants to audit TAM's financial statements and, if needed, perform a Single Audit. The proposals should be submitted by 3:00 p.m. on September 1, 2005. The following request describes the elements that TAM believes should be included in the audits, the process that is to be used, the deliverables that are expected from the contract, and the information that is expected to be included in the proposals.

Description of TAM

TAM is a local transportation authority under the provisions of Public Utility Code Sections 18000 et seq. On November 2, 2004, Measure A was approved by the voters of Marin. The measure authorized an additional one-half of one percent sales tax in the County to be received by TAM in order to implement transportation improvements as outlined in the Measure. The sales tax is imposed over a twenty-year period from April 1, 2005 through March 31, 2025.

TAM is governed by a sixteen-member Board of locally-elected officials. Membership is composed of the Marin County Board of Supervisors and a council member from each incorporated city/town.

The County of Marin serves as fiscal agent to TAM. In this capacity, the County maintains its general ledger, acts as paying and receiving agent for TAM, and may hold, buy and sell securities on behalf of TAM. TAM's funds and account groups are described in the most recent audited financial statements found in the Appendix.

TAM prepares its budgets on a basis consistent with generally accepted accounting principles.

Scope of Services

A. General

The Oversight Committee is soliciting the services of qualified firms of certified public accountants to audit TAM's financial statements and, if needed, perform a Single Audit for the fiscal year ending June 30, 2005, with the option of extending the contract for each of the two subsequent fiscal years. Extension of the contract is subject to annual renewal based on the review and recommendation of the Chair of the Oversight Committee. These audits are to be performed in accordance with the provisions contained in this request for proposals.

B. Scope of Work to be Performed

The Oversight Committee desires the auditor to express an opinion on the fair presentation of TAM's general purpose financial statements and combining financial statements in conformity with generally accepted accounting principles. The auditor will also perform the required work tasks for the Single Audit.

C. Auditing Standards to be Followed

To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards, the provisions of the Single Audit Act, the requirements of the *California Code of Regulations* (Title 2, Division 2, Chapter 2, Subchapter 5), and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments.

D. Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
2. A report on the internal control structure based on the auditor's understanding of the control structure and assessment of control risk.
3. A management report with recommendations for improving operations.
4. All reports required under the Single Audit Act.
5. Completion and filing of the federal "Data Collection Form for Reporting on Audits Of States, Local Governments, And Non-Profit Organizations [Form SF-SAC].

The auditor will prepare the initial draft of the financial statements, the footnote disclosures and Single Audit reports and schedules for review and acceptance by TAM. Final report preparation, editing, and printing shall be the responsibility of the auditor.

E. Presentation of the Audit

Following the completion of the audit, the auditor will attend a meeting of the Oversight Committee to present the audit and respond to questions.

F. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by TAM of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

- The Oversight Committee
- TAM
- Cognizant Agencies for Federal grants
- U.S. General Accounting Office (GAO)
- Parties designated by the federal or state governments or by TAM as part of an audit quality review process

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

G. Assistance to be Provided to the Auditor

TAM management and clerical staff as well as TAM's consultants will be available during the audit to assist the firm by providing information, documentation and explanations.

It should also be noted that there is limited space available for our auditors. A small meeting room can be made available, which will comfortably accommodate two to four people. The auditor will be provided with access to a telephone, photocopying and fax machines.

Proposal Requirements

All inquiries concerning the request for proposals should be made to Craig Tackabery, Executive Director, Transportation Authority of Marin. He can be reached at (415) 499-6582. In his absence, you can contact Mary Klingensmith of Nolte & Associates at (408) 392-7204.

A. General Requirements

Receipt of the following material is required by 3:00 p.m. on September 1, 2005 for a proposing firm to be considered:

1. One unbound original proposal (so marked) and five copies.
2. The proposal should include:
 - a. **Title page** showing the firm's name, the address and telephone number of the contact person, and the date of the proposal.
 - b. **Table of Contents**
 - c. **Transmittal letter** (signed) stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be the best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for 90 days.
 - d. **Technical proposal** which follows the order set forth in "Technical Proposal Outline" of this request for proposals as in the below.

- e. **References** for at least three similar clients from recent work. Provide a name and current phone number.
 - f. **Professional Services Contract.** Please indicate your willingness to accept the terms and conditions in the Standard Short Form Contract (Appendix C) or list those to which you take exception, and as appropriate, provide proposed alternate wording. It is not TAM's intent to make substantial changes to the Standard Short Form Contract.
3. The proposal shall be addressed to:

Transportation Authority of Marin
Marin County Civic Center
3501 Civic Center Drive
San Rafael, CA 94913

Attention: Craig Tackabery

B. Technical Proposal Outline

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of TAM in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The Technical Proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposals requirements.

The Technical Proposal should be no longer than 12 pages (single sided, 8-1/2" X 11" pages, with the minimum font size of 10). Please follow the outline below. Additional information can be included in an appendix to your proposal.

1. Independence

The firm should provide an affirmative statement that it is independent of TAM as defined by generally accepted auditing standards/the U.S. General Accounting Office's Government Auditing Standards.

2. License to Practice in California

An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in the State of California.

3. Firm Qualifications and Experience

This includes the breadth and depth of the firm's experience in reviewing the financial activities of local government entities. Specifically, experience with local transportation authorities or similar agencies in California is desirable.

4. Partner, Supervisory and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Provide information on the government auditing experience of each person. Specific transportation-related auditing experience and familiarity with sales tax programs would be beneficial.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

5. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in this request for proposal. Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement
- c. Proposed schedule for completion of the audit, including interim milestones
- d. Extent of use of computer assisted auditing techniques in the engagement
- e. Approach to be taken to gain and document an understanding of TAM's internal control structure
- f. Approach to be taken in determining laws and regulations that will be subject to audit test work

6. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from TAM.

C. Fee Information

Evaluation is to be based on professional qualifications. In addition, we are requesting fee information, which is intended primarily for information to TAM. Cost will become a factor in the selection process if and only if the Oversight Committee determines that there is a tie in their evaluation after the completion of the oral interviews between two or more firms.

The fee information should include the following information:

- the cost to prepare the audit of TAM's financial statements and footnote disclosures, to prepare the management letter relating to TAM's internal controls, and to present the audit to the Oversight Committee;

- the cost to prepare the Federal Single Audit;
- the cost of 20 hours of assistance in interpreting compliance requirements to be provided on a time and materials, as needed basis during the fiscal year.

Proposal Evaluation and Award Procedure

A. Review Committee

The Oversight Committee will establish a Review Subcommittee to evaluate proposals and interview up to three final candidates. The Oversight Committee will make a recommendation of one firm to TAM for their consideration and approval.

B. Tentative Selection Schedule

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| • Deadline for proposals | September 1 |
| • Finalists determined by Review Subcommittee | Week of September 5 |
| • Oral interviews with finalists by Review Subcommittee | Week of September 12 |
| • Full Oversight Committee approval of Review Subcommittee recommendation, start contract negotiations | September 19 |
| • TAM Commission approval of contract | September 22 |

C. Evaluation Criteria

All proposals will be evaluated in the following order:

1. Meeting minimum proposal requirements
2. Technical Qualifications
3. Fee Information (only if there is a tie after review of technical qualifications)

Manner of Payment

Progress payments will be made on a time and materials basis during the course of the engagement in accordance with the firm's fee information and out-of-pocket expenses incurred.

Solicitation Disclaimer

TAM reserves the right to reject any and all responses. All responses to this RFP become the property of TAM upon submission. The costs of preparing a proposal and participating in an interview are at the sole expense of the proposer.

Appendices

- A. FY 2004/05 Budget
- B. FY 2003/04 Financial Audit prepared by External Auditors
- C. TAM Standard Short Form Contract